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C O N F I D E N T I A L SECTION 01 OF 02 KARACHI 000451

SIPDIS

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TAGS: [SOCI](#) [ECON](#) [ENGY](#) [PGOV](#) [PK](#)
SUBJECT: KARACHI - TRANSPORTERS GO ON STIKE DEMANDING RATE
HIKE

REF: Islamabad 2470

Classified by Kay Anske, Consul General, 1.4 b and d.

¶1. (C) Summary: Members of KarachiQs mass transportation union, the Karachi Transport Ittihad (KTI), went on strike on July 22 to demand provincial government approval of a fare increase to compensate for a sharp increase in fuel costs. The strike ended the same day after meetings between KTI representatives and the Minister of Transportation. Both sides agreed to a maximum two rupees (around US 3 cents) increase. This agreement must approved by Sindh Chief Minister Syed Qaim Ali Shah by July 26 or the union could strike again. Industry associations estimate that the one-day shutdown cost businesses in the cityQs two main industrial parks around 1.64 billion rupees (approx USD 23.4 million) as 40 Q 45 percent of manufacturers remained closed due to employeesQ inability to find transportation to work. End summary.

Transporters Go On Strike

¶2. (U) July 23 media reports described the impact of a July 22 transport strike by the Karachi Transport Ittihad (KTI), a union of bus, mini-van and coach operators. The strike was called to demand that Sindh government authorities accept the unionQs demands for a rate increase to compensate transporters for increased fuel prices. (Note: On July 20, the GOP announced an immediate 17 percent increase in diesel prices, bringing the cost per liter to 64.64 rupees (around US 92 cents). The GOP also raised gasoline prices 14 percent, with the new price per liter set at 86.66 rupees (approx USD 1.24). The move was an attempt to stem a hemorrhage of foreign reserves expended to subsidize rising fuel import costs (see refTel). End note.)

¶3. (U) The reports described sparse traffic on normally busy thoroughfares and price-gouging by those transporters not covered by the strike, such as rickshaws and taxis. KTI representatives told the media they agreed to end the strike effective July 23 after Sindh Ministry of Transportation officials agreed to continue discussions about a rate increase.

Significant Economic Impact

¶4. (U) In a telcon with EconOff on July 24, the Secretary of KarachiQs Sindh Industrial Trading Estate (SITE) Association, confirmed that the information in a July 23 Business Recorder article on losses sustained by industry

during the July 22 transporters strike was accurate. The newspaper reported that businesses in SITE and at the Korangi industrial area reported total losses of 1.64 billion rupees (approx USD 23.4 million). The losses included 1.4 billion rupees in lost production (approx USD 20 million), 150 million rupees (approx USD 2.1 million), and foregone revenues of 107 million (USD 1.5 million). The article also cited industry closure rates between 40 Q 45percent. Many employees, who rely on public transportation, were unable to go to work on the day of the strike.

15. (U) Korangi Association of Trade and Industry Vice Chairman Syed Johar Ali Qandhari told EconOff that he was not sure of the exact losses as reported in the press, but believed the they were high. Especially hard hit were industries that relied on exports. He did think the reported percentage of business shutdowns was accurate. However, Majyd Aziz, a textile manufacturer said he thought the numbers were exaggerated and questioned the methodology used to determine losses on that day.

KTI Claims Terms Met

16. (C) KTI President Irshad Hussain Shah Bukhari told EconOff on July 23 that a union delegation met with Sindh Minister of Transportation Akhtar Hussain Jadoon on July 22 over the fare increase request. According to him, the union asked for a four rupee increase (about 5.7 cents).

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17. (C) The Minister opened negotiations during a visit to KTI offices to request an end to the strike. Talks continued later in the day at the MinisterQs office and resumed on July 23. Bukhari said the provincial government agreed at that meeting to allow KTI members to increase fares by two rupees (around US 3 cents) effective July 26. He added that if the provincial government failed to issue the enabling decree for the rate increase by that date, the union's executive committee would meet two days later to plot a future course. Transport unions in Islamabad and Lahore have threatened to go on strike if their demands for a rate increase are not met by July 26.

Sindh Ministry of Transportation Agrees To Rate Hike

18. (C) Sindh Ministry of Transportation Public Relations officer Abdul Mehmon confirmed that a deal had been made during a July 24 conversation with EconOff. According to him, the July 23 agreement allows KTI to increase fares up to two rupees depending on the distance traveled. He added that the agreement will be sent to Sindh Chief Minister Syed Qaim Ali Shah for final approval who has until July 26 to approve or the union could go back on strike.

19. (C) Comment: A transporterQs strike in Karachi appears to have been averted for the moment. However, an increase in mass transit costs will contribute to the cityQs already accelerating inflation rate, further fueling discontent in a city suffering from increased food costs, electricity shortages and capital market turmoil. End comment.

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